

**Remarks by Administrator Steven C. Preston
National Association of Small Business Investment Companies (NASBIC)
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Good afternoon.

Steve, thank you so much for that gracious introduction. After 24 years in business and just 3 months in government, let me just say it is good to be here with you all. I grew up professionally in an around the investment world as an investment banker, investor, and a CFO. So, unlike many of the issues I face in Washington, I don't need a tutorial to know what you are talking about!

I am always thankful for the opportunity to speak to our partners. We are an agency that touches millions of small businesses, oversees more than \$75 billion in investments, and works on \$80 billion in procurement activities for small businesses. But we don't do it on our own and could not do it on our own. We have thousands of partners that are in delivery network; they are the Agency's face to the customer, our counselors, bankers, or investors.

Unless we are aligned

- in our mission and purpose,
- in the way we extend support to the customer, and
- in the way we support each other,

We will not be reaching our potential to serve the small business community. That doesn't mean there can't be tension in a relationship, but it does mean that we need to be on the same team with the same goal.

And these partnerships are showing strong results.

- We just announced another record year in our lending programs - - we guaranteed more than \$19 billion in bank financing to over 100,000 small businesses through our two main business loan programs in fiscal year 2006 that just ended.

- In FY '06, the SBIC program invested almost \$3 billion in over 2,000 small businesses.
- In our counseling programs, we assisted more than 1 million small businesses,
- And the federal government purchased a record amount of goods and services from small businesses and exceeded its targets.

None of that happens without strong collaborative partnerships where we look at the customer through the same lens and lock arms in our service to them.

When I began considering a position in public service, there were a few things that were important to me. It needed to be relevant to the lives of people in our country. I wanted to be able to use my business skills to drive change. It had to be something I was passionate about. Some of you know me—I am the kind of person that needs to live life on a mission. When the SBA opportunity came my way, I realized it hit on all cylinders.

We at the SBA get to be a part of making so much happen for small businesses, whether it be

- advocacy, counseling or government contract support for all small businesses, or
- extending capital to those small businesses with particular challenges,

We look to pick up where the private sector leaves off, thereby expanding the opportunity for ownership, innovation and job creation.

I am proud to serve a President who stands tall on important issues and who leads on principle and not on polls, and who is committed to the entrepreneur and small business owner.

His philosophy is very simple: create, sustain and nurture an environment where small businesses can form, flourish, and create jobs. How do we create this environment?

- We do it by cutting taxes and keeping them low.
- We do it by cutting government red tape.
- We do it by making it easier for small businesses to have access to health care.

- We also do it by opening more international markets to small businesses.

Let me tell you why I mention these issues. We currently have a very robust economy, but it wasn't that long ago that we were looking at a plunging stock market, corporate accounting scandals, and the horrific attack on 9-11, with the economic turmoil that ensued. But over the last three years, we have seen:

- Consistently robust economic growth;
- Steady job creation, and as a result, an enduringly low unemployment rate;
- Even a stock market that is bumping up against record highs.

In fact, I was just at the White House on Wednesday when the President delivered his remarks about the economy and the budget for the 2006 fiscal year.

In 2004, the President made a promise to the American people, that we would cut the federal budget deficit in half over five years. Well, the goal was achieved in 2006, three years ahead of schedule. It was reduced to \$248 billion or 1.9% of the economy. Now that's clearly still a later number, but

- As a percentage of the economy, that's lower than 18 out of the last 25 years.
- This is really an incredible accomplishment when you think about it given the fact that we are a country at war.
- And the reason is because tax revenues have gone up. In 2006, tax revenues grew by \$253 billion—that's an increase of almost 12% over the prior year. Over the last two years, we have seen the largest back-to-back increases in tax revenues ever, and the largest percentage increase in 25 years.
- This is proof that pro-growth economic policies like cutting taxes work, and even though it might seem counter-intuitive, lower taxes have led to more revenue.
- Small businesses have specifically seen lower taxes, because of
 - the reduction in income taxes,
 - the ability to receive accelerated deductions on capital investments and, of course,
 - the temporary repeal of the death tax.

- And as a result, small businesses have had more money to grow and invest, and more money to hire employees.

And the benefit to small business owners is so important because as the President said about our economic growth:

“Behind these numbers are small business owners who are being rewarded for taking risk. Government can’t make anybody successful; we can make the environment such that people are willing to take risk. And when small businesses take risk, the economy flourishes and grows.”

And, as many of you know, small businesses create 70% of new jobs in America and drive most of our economic growth.

I am not here to make a political speech, but let me say that the work is not done, there is a lot to accomplish on the small business agenda over the next two years, and we need legislators in Washington who will work to finish the job.

These issues are so important because you and I are blessed to live in America, a great society with a robust economy as one of its pillars. It’s a society where we are free and encouraged to innovate, to adapt to changes in markets – where innovation can find its home in opportunity and, in turn, in livelihood. And that is because we have created and preserved an environment in which innovation and entrepreneurship can flourish. And we must ensure that we continue to preserve and pursue a culture, a capital system, and a tax and regulatory structure that enables and encourages innovation and entrepreneurship.

I believe that not only because it is the bedrock of our economy, but because:

- small business may be the strongest enabler of community transformation in underserved markets.
- And going forward, small business will be one of the most fertile drivers of innovation and competitiveness in driving our country’s economic future.

- I believe small business may be our country's strongest bridge to opportunity for Americans of all backgrounds
- And for that reason, it should be the goal of our economic policy to keep that bridge open, expansive, and sturdy.

I actually get pretty philosophical about what our ability to create and to pursue our goals means to us as a country and a people, because it is one of many reflections of the basic freedoms we have fought and continue to protect for ourselves, and it happens to be this freedom that, in many ways, provides us access to an economic way of life, with opportunity for all, that is different from anywhere else in the world.

I was reflecting on our ongoing fight to preserve our freedoms, and those of others, a few weeks ago. I had an opportunity to attend a ceremony on the south lawn of the White House to commemorate the 5-year anniversary of the September 11 attacks on our country.

- There were about 100 of us who had gathered
- It was a gray misty day. The group faced south looking at the Washington Monument.
- Above the monument, we could see planes which had just taken off from Reagan National, eerily disappearing into the clouds.
- And as my mind's eye wandered along the mall to the right, where, as many of you know, the many war memorials are (WWII, Korea, Lincoln Memorial, Vietnam, I thought of the other wars we had faced, and why they were fought.
- As we prepared for the ceremony to begin, a flag bearer walked to the front and members of the President's cabinet filed in front of the group.
- Finally, the Vice President walked to the front with Mrs. Cheney holding his left arm, and Margaret Thatcher his right.
- A gong sounded to commemorate the moment of the Pentagon collision
 - There was a period of silence
 - A lone bugle player then played taps

- The Vice President, his wife, and Lady Thatcher turned to go back into the White House and the Cabinet followed behind.

It was really a very solemn, reflective moment for me. We are part of something very special. Our way of life is deeply driven by our freedoms. Clearly, our struggles abroad have been about protecting our national security and the rights we and others have to basic freedoms, like freedom from oppression. But I also believe the unbelievable engine of entrepreneurship in our country, thrives because this culture that we have built, is deeply ingrained in our spirit and our way of life. And that it, in turn supports, and helps make sense of the more basic freedoms we all value.

We are going through the process of working through what our mission is going to be over the next few years, and ensuring that our policies, our products, our processes, our people, and our partners are aligned in advancing that mission.

Over the last three months, I have spent a lot of time listening to our employees, our legislators, trade associations, our partners, and most importantly, directly to our customers. And I have come to the simple conclusion that the most important progress we can make is in applying good solid business principles to the work we do – much as you deal with every day in your portfolio companies. And as such, we are approaching these issues by asking four basic questions we are using as our guideposts.

First, are we focused on the right outcomes? Who are we serving? Why? And do we drive the outcomes we think are most important to our target customers.

- I happen to believe for example, that we need to get very focused on serving the underserved communities in our country—like the inner-city and rural markets, and I think we could do a lot better job of it.
- Frankly, I would like to enlist this group in understanding how we can get capital flowing into areas of our country where small business formation and growth could play a tremendous role in changing the lives of people.

Every one of you have the ability to take your financial acumen, your energy, and your connections in the private and not-for-profit sector to locate businesses or invest in businesses in areas of our country that need jobs and could be transformed with a bit more economic activity.

I would love to work with NASBIC on how we can be creative together in capturing some of these opportunities.

Second, are we truly focused on what is important to our customers and our partners? Do we understand what the people we serve need, and are we doing business on their terms? If there is too much friction in the process, if we are too slow, and if we are tough to work with, we will choke off our effectiveness because the value of our services will be diminished by the difficulty in using them. We have a lot of opportunity to simplify life for our customers.

Third, are we enabling our employees? Any organization that serves people must have an employee base that is motivated and enabled to provide that service. So we need to ask: Are we working to give our employees the tools, training and work environment they need to serve our customers and partners effectively and enthusiastically?

And finally, are we transparent, efficient, and accountable? Are we running a tight ship? Every day, are we working in a way that earns your trust? We have to make sure that we responsibly use every dollar the taxpayers give us.

Transparency equals trust. Like every part of government in a democracy, we have a bedrock obligation to work every day to deserve the public's trust.

- Outcomes driven
- Customer focused
- Employee enabled
- Accountable, efficient and transparent

It is so important that we drive these principles, because we open the doors of entrepreneurship to those who have the vision and drive but fall short in access to capital – or could use experienced counseling – or want to have a level playing field to sell goods and services to the federal government.

Let me give you an example of how we are applying these principles at the SBA. Some of you may realize that the SBA provides disaster loans both to small businesses and to homeowners. Following the hurricanes that struck our country last year, the SBA responded by approving more than \$10.6 billion in low-interest disaster loans to more than 158,000 businesses, homeowners and renters. But most of that money is still not disbursed – for various reasons – some of which we can fix.

How have we begun to address the issue? We have spent time in the Gulf and listened to our customers tell their stories. In fact, we even videotaped customer interviews to bring back to our employees, so they could hear the voice of the customer. They told us a few things. First, every time they called, they talked with someone different, which meant that they often had to reeducate our people, and sometimes they got conflicting stories. Second, people often had to send us the same information more than once before it got to the right place. Finally, we were way too slow.

In late August, we took what we learned to a three day off-site meeting where we assembled leaders from our disaster operations, talent from our Washington operation and external process design experts, and began to lay out a vision, backed by detailed process redesign initiatives to finish the Katrina job quickly, and to ensure that we drive that operation to a higher standard than ever before. We have entirely redesigned our work processes.

In just over a month:

- We fully redesigned our work processes, moving 1,300 people from a production line to case-management teams, so that:

- Every disaster victim has one case manager to work with through the process and one person to send the information to
- Every case manager is responsible for coaching and staying on top of each customer's situation
- We have called all 90,000 customers to make sure we understand their status and what we each need to do to get the job done.
- And we are driving hard, with high production goals, to get caught up.
 - We are driven by a clear outcome
 - We are focused on the customers
 - We are enabling our employees with better tools and processes
 - And we are establishing clear accountabilities in the process.

Why am I telling you all of this? Because whether it is a banker who is working with us on a loan approval or a small business owner who is trying to sell goods to the federal government, we want to know how we can make life simpler for our customers and partners, so it's easier for us all to enable small businesses.

I mentioned community transformation a bit earlier, I think a lot about the role small business plays and the role the SBA should play in community transformation, because I believe we can do a better job reaching communities in our country that need support -- where focus, capital and commitment can bring about change, where change is needed most like our rural markets, our inner cities, or in communities undergoing change.

And there is a picture I carry in my mind virtually every day that reminds me of this role. I visited New Orleans for the first time earlier this year. I had spent several hours touring the devastation. For miles you could see virtually no activity. As we were leaving the lower ninth ward, among the endless rows of hollow buildings, one shining exception stood out – a small, Hispanic-owned grocery store, freshly painted white, with sparkling windows, and a brightly painted sign overhead. People were scrubbing the floors, stocking the shelves, cleaning the sidewalk out front – preparing to reopen.

As I looked at the emptiness surrounding this tiny pioneer, I wondered why they were taking such a risk and whether they would survive. Then I realized that I was seeing just why small business is so crucial to our nation and its spirit.

It's small business's readiness to take risks, the grit to stick out the hard times, the commitment not just of capital but of passion, and the devotion when others falter -- all of this that puts small businesses at the heart of strong communities throughout our country.

The small business owner wakes up each day not going to his or her job, but going to the business that he or she built. There is great power in that. There exists a spirit in the entrepreneur that is willing to put it all on the line:

- to work hard, sometimes harder than seems humanly possible,
- to take risks with no certainty of reward,
- to bend every bit of intellect and creativity to create something and make it successful.

It's a particular pleasure to stand before all of you because you understand the value of small businesses to the health and well-being of our nation and its economy. And whereas it may often seem like the game is about getting to a return target or a level of wealth creation, we all know that our personal mandates need to be much bigger than that.

So, thank you for inviting me today.

Thank you for contributing to the growth of small business in our economy.

- I look forward to our work together in the future, since I know that there are one or two issues we will be working on in the near term.

Thank you for your partnership.